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RELEASED IN PART 33

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ACTION EAP-00 B1

INFO	LOG-00	ADS-00	AID-00	INR-07	EUR-00	SS-00	OPR-00
	CIAE-00	H-01	NEA-06	NSCE-00	NSAE-00	SSO-00	HA-09
	L-03	CTME-00	PM-10	PA-01	CCO-00	OMB-01	INRE-00
	OCS-06	CA-02	FBOE-05	A-00	USSS-00	USIE-00	SP-02
	OC-01	M-01	SR-06	PRS-01	DS-01	SCT-02	/065 W

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O 050848Z JUL 89 ZFF4
FM AMEMBASSY BEIJING
TO SECSTATE WASHDC NIACT IMMEDIATE 2550
INFO AIT TAIPEI IMMEDIATE
AMCONSUL GUANGZHOU IMMEDIATE
AMCONSUL HNG KONG IMMEDIATE 3393
AMCONSUL SHANGHAI IMMEDIATE
AMCONSUL SHENYANG IMMEDIATE
AMEMBASSY BANGKOK IMMEDIATE
AMEMBASSY LONDON IMMEDIATE
AMEMBASSY MOSCOW IMMEDIATE
AMEMBASSY NEW DELHI IMMEDIATE
AMEMBASSY PARIS IMMEDIATE
AMEMBASSY SEOUL IMMEDIATE
AMEMBASSY TOKYO IMMEDIATE
USCINCPAC HONOLULU HI IMMEDIATE
USIA WASHDC IMMEDIATE 8707
SECDEF WASHDC IMMEDIATE
AMCONSUL CHENGDU POUCH)

C O N F I D E N T I A L SECTION 01 OF 03 BEIJING 18116

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NSC FOR DOUG PAAL

CINCPAC FOR FPA FINNEY
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E.O. 1 2356: DECL:OADR
TAGS: MOPS, PINS, PREL, PGOV, PHUM, SOCI, CH
SUBJECT: TFCH01 : SITREP NO. 71 , JULY 5, 1 700 LOCAL

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1. CONFIDENTIAL ENTIRE TEXT.
2. SUMMARY. TWO AMERICAN BUSINESSMEN MET WITH STATE COUNCILLOR ZOU JIANHUA, WHO TOLD THE VISITING

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AMERICANS THAT MARTIAL LAW CANNOT BE LIFTED YET BECAUSE "THE SITUATION IS NOT YET UNDER CONTROL." ZOU TRIED TO ASSURE THE BUSINESSMEN THAT CHINA REMAINS COMMITTED TO ITS OPEN DOOR POLICY.

/

3. ON TUESDAY, JULY 4, THE AUSTRALIAN EMBASSY BECAME THE SECOND DIPLOMATIC MISSION IN BEIJING TO HAVE HELMETED PAP GUARDS WITH AUTOMATIC WEAPONS STAND GUARD IN FRONT OF THE EMBASSY.

/

4. THE OFFICIAL PRESS CONTINUED ITS CRITICAL ATTACK ON VOA, AND STATED THAT CNN CORRESPONDENT MIKE CHINYOY'S REPORTS WERE INACCURATE. THE EMBASSY ECONOMIC SECTION REPORTS THAT COMMERCIAL AVIATION SERVICE TO BEIJING HAS BEEN SIGNIFICANTLY REDUCED, AND CALCULATES THAT LESS THAN 10 PERCENT OF THE NORMAL WEEKLY SUMMER SEAT CAPACITY IS FLYING INTO BEIJING. CHINA'S FLAG CARRIER, CAAC, MAY BE PA"ATICULAQRLY HARD HIT.

/

5. THE NPC REVIEWED REPORTS THAT THE 1988 BUDGET DEFICIT WAS APPROXIMATELY 2 BILLION U.S. DOLLARS. THE NPC ALSO REVIEWED THE NEW DRAFT LAW PLACING MORE RESTRICTIONS ON DEMONSTRATIONS. THE LOCAL MEDIA IS

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REPORTING THAT 64 HAVE DIED AND MANY HAVE BEEN LEFT HOMELESS AS A RESULT OF FLOODING IN EAST CHINA.

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6. PREMIER LI PENG TOLG A VISITING OFFICIAL THAT CHINA WILL NOT FOLLOW THE CAPITALIST ROAD BECAUSE "CHINA WOULD BECOME AN APPENDAGE STATE TO CAPITALIST POWERS," AND THAT "CHINA MUST PRACTISE THE SOCIALIST SYSTEMQ" THE OFFICIAL PRESS CARRIED ANOTHER ARTICLE FROM PROFESSOR WANG OF COLUMBIA UNIVERSITY SUPPORTING THE CHINESE GOVERNMENT CRACKDOWN ON PRO-DEMOCRACY DEMONSTRATORS.

END SUMMARY.

AMERICAN BUSIN/SSMEN MEET WITH SENIOR CHINESE OFFICIAL

7. TWO AMERICAN BUSINESSMEN BRIEFED EMBASSY COMMERCIAL OFFICER ON THEIR RECENT MEETING WITH [REDACTED]

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[REDACTED] TOLD THE AMERICAN BUSINESSMEN THAT MARTIAL LAW IN BEIJING COULD NOT YET BE LIFTED BECAUSE "THE SITUATION OS NOT YET UNDER CONTROL." [REDACTED] THAT ON WEDNESDAY, JUNE 28, THERE WERE THREE SEPARATE INCIDENTS IN WHICH CIVILIANS FIRED ON THE PLA SOLDIERS, AND NO ONE HAS YET BEEN ARRESTED. THE SHANGHAI TRAIN BOMBING HAS ALSO CAUSED THE LEADERSHIP DISTRESS, [REDACTED] THE AMERICAN

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BUSINESSMEN SAID [] EXPRESSED SYMPATHY FOR THE INNOCENT PEOPLE KILLED JUNE 3-4, BUT HELD TO THE PARTY LINE THAT CLEARING THE SQUARE WAS NECESSARY FOR STABILITY AND TO MAINTAIN AN ENVIRONMENT CONDUCTIVE TO FOREIGN INVESTMENT.

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8. THE BUSINESSMEN SAID [] TRIED TO ASSURE THEM THAT THE LEADERSHIP IS COMMITTED TO ITS OPEN DOOR POLICY, AND THAT IT WILL HONOR EXISTING FOREIGN

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O 050848Z JUL 89 ZFF4
FM AMEMBASSY BEIJING
TO SECSTATE WASHDC NIACT IMMEDIATE 2551
INFO AIT TAIPEI IMMEDIATE
HGZ/AMCONSUL GUANGZHOU IMMEDIATE 7359
AMCONSUL HONG KONG IMMEDIATE
AMCONSUL SHANGHAI IMMEDIATE
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AMEMBASSY TOKYO IMMEDIATE
USCINCPAC HONOLULU HI IMMEDIATE
USIA WASHDC IMMEDIATE 8708
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E.O. 1 2356: DECL:OADR

TAGS: MOPS, PINS, PREL, PGOV, PHUM, SOCI, CH

SUBJECT: TFCH01 : SITREP NO. 71 , JULY 5, 1 700 LOCAL

EXCHANGE OBLIGATIONS. REPORTING CABLE DETAILING THE
MEETING WILL FOLLOW SEPTTEL.

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HELMETED PAP GUARDS STAND WATCH IN FRONT OF
AUSTRALIAN EMBASSY

9. ON TUESDAY, JULY 4, THE AUSTRALIAN EMBASSY BECAME
THE SECOND DIPLOMATIC MISSION IN BEIJING TO HAVE
HELMETED PEOPLE'S ARMED POLICE GUARDS WITH AUTOMATIC
RIFLES STAND GUARD IN FRONT OF THE EMBASSY GATES.
UNLIKE AT THE AMERICAN EMBASSY, HOWEVER, THE
AUSTRALIANS HAVE NOT NOTICED ANY INCREASE IN THE
NUMBER OF GUARDS.

/

PRESS DENIES VOA REPORT THAT PLA ATTACK WAS DELIBERATE

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10. THE JULY 5 PEOPLE'S DAILY AND ENGLISH-LANGUAGE
CHINA DAILY COMPLAINED ABOUT VOA'S JULY 3 BROADCAST
CITING AN AMERICAN EMBASSY OFFICIAL AS SAYING THAT
THE PLA SHOOTING OF THE DIPLOMATIC COMPOUND ON JUNE 7
WAS DELIBERATE AND PREMEDITATED. THE OFFICIAL PRESS
SAID THAT PLA SOLDIERS ON THE STREET HAD BEEN
RESPONDING TO SHOTS FIRED FROM TWO SEPARATE
DIRECTIONS, CAUSING THE DEATH OF ONE SOLDIER AND
INJURY TO THREE OTHERS. THE PRESS DENIED THE VOA
REPORT THAT THE DIPLOMATIC COMPOUND WAS FIRED UPON
FROM THE BUILDINGS ACROSS THE STREET AND FROM THE PLA
TROOPS ON THE STREET.

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OFFICIAL PRESS ATTACKS CNN REPORTER MIKE CHINYOY

11. THE JULY 4 BEIJING DAILY AND JULY 5 MORNING CHINESE LANGUAGE RADIO NEWSCAST ATTACKED MIKE CHINYOY AND CNN REPORTING OF THE MASSACRE AS INACCURATE.

A

COMMERCIAL AVIATION SERVICE TO BEIJING SHRINKS

12. BEIJING ECONOMIC SECTION REPORTED JULY 5 (BEIJING 18007) THAT, BASED ON APPROXIMATE CALCULATIONS, LESS THAN 10 PERCENT OF THE NORMAL WEEKLY SUMMER SEAT CAPACITY IS FLYING INTO BEIJING. THIS IS ONE INDICATION OF HOW HARD THE TOURIST SECTOR IS BEING HURT. CHINA'S FLAG CARRIER, CAAC, MAY BE PARTICULARLY HARD HIT. UNITED AIRLINES IS AMONG THOSE FLYING REDUCED SCHEDULES. CATHAY PACIFIC AND DRAGON AIR CAN MAINTAIN THEIR SUMMER SCHEDULE BECAUSE OF HIGH PATRONAGE AS BUSINESSMEN ARE COMMUTING BETWEEN HONG KONG AND BEIJING. LUFTHANSA IS FLYING WITH INSIGNIFICANT LOADS, BECAUSE OF ITS OTHER COMMERCIAL INTERESTS IN CHINA.

/

NPC REVIEWS FINAL STATE ACCOUNTS FOR 1988

13. A MAIN ITEM ON THE JULY 3 EVENING NEWSCAST AND THE LEAD STORY IN THE JULY 4 PEOPLE'S DAILY WAS A REPORT FROM STATE COUNCILLOR AND MINISTER OF FINANCE WANG BINGQIAN. HE REPORTED THAT IN 1988 TOTAL STATE REVENUE WAS 262.802 BILLION YUAN (ABOUT U.S. 71 BILLION DOLLARS), STATE EXPENDITURES REACHED 270.657 BILLION YUAN (ABOUT U.S. 73 BILLION DOLLARS), FOR A DEFICIT OF 7.855 BILLION YUAN (ABOUT U.S. 2 BILLION DOLLARS). WANG SAID THAT THE STATE'S FINANCES

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O 050848Z JUL 89 ZFF4

FM AMEMBASSY BEIJING

TO SECSTATE WASHDC NIACT IMMEDIATE 2552

INFO AIT TAIPEI IMMEDIATE

AMCONSUL GUANGZHOU IMMEDIATE

AMCONSUL HONG KONG IMMEDIATE

AMCONSUL SHANGHAI IMMEDIATE

AMCONSUL SHENYANG IMMEDIATE

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AMEMBASSY SEOUL IMM

EDIATE

AMEMBASSY TOKYO IMMEDIATE

USCINCPAC HONOLULU HI IMMEDIATE

USIA WASHDC IMMEDIATE 8709

SECDEF WASHDC IMMEDIATE

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IMPROVED OVER THE PREVIOUS YEAR WITH THE FINANCIAL
DEFICIT DECREASING 19.4 BILLION YUAN (ABOUT U.S. 5
BILLION DOLLARS).

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NPC REVIEWS NEW DRAFT LAW PLACING NEW RESTRICTIONS ON
DEMONSTRATIONS

14. THE JULY 3 EVENING NEWS AND JULY 4 PEOPLE'S

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DAILY REPORTED THAT STATE COUNCILLOR AND PUBLIC SECURITY MINISTER WANG FANG EXPLAINED THE NEW DRAFT LAW SUBMITTED BY PREMIER LI PENG. WANG STATED THAT TIGHTER CONTROLS WILL BE PLACED ON THE HOLDING OF DEMONSTRATIONS. IN ADDITION TO OBTAINING PRIOR PERMISSION, ORGANIZERS OF DEMONSTRATIONS WILL HAVE TO GIVE SECURITY OFFICIALS THE NUMBER OF PARTICIPANTS, NAMES AND ADDRESSES OF ORGANIZERS, AND OTHER DETAILS.

/

64 DIE IN EAST CHINA FLOODS

15. JULY 4 EVENING NEWS AND JULY 5 PRINT MEDIA REPORTED ON THE TORRENTIAL RAINS WHICH HAS CAUSED FLOODING IN JIANGXI, FUJIAN, ZHEJIANG, AND QINGHAI PROVINCES, AND GUANGXI ZHUANG AUTONOMOUS REGION, AND HAS RESULTED IN 64 DEATHS. UNCONFIRMED REPORTS STATE THAT 3.5 MILLION PEOPLE ARE AFFECTED BY THE FLOODING IN JIANGXI PROVINCE, WITH 370,000 LEFT HOMELESS.

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PREMIER LI PENG SAYS CHINA WILL NOT FOLLOW THE CAPITALIST ROAD

16. JULY 3 EVENING NEWS AND JULY 4 PRINT MEDIA COVERED PREMIER LI PENG'S MEETING WITH VISITING JAPANESE CHAIRMAN OF THE DAIWA SECURITIES CO. ECONOMIC RESEARCH INSTITUTE ISAMU MIYAZAKI, WHO WAS IN CHINA TO PRESENT THE CHINESE LEADERSHIP A REPORT FROM THE SCHMIT COMMISSION ON CURRENT GLOBAL ISSUES. PREMIER LI PENG TOLD MIYAZAKI THAT CHINA WILL NOT FOLLOW THE CAPITALIST ROAD FOR "CHINA WOULD BECOME AN APPENDAGE STATE TO CAPITALIST POWERS....TO BECOME REALLY STRONG AND PROSPEROUS, CHINA MUST PRACTISE THE SOCIALIST SYSTEM."

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OFFICIAL PRESS CARRIES ANOTHER ARTICLE FROM A RETIRED COLUMBIA UNIVERSITY PROFESSOR

17. THE JULY 5 PEOPLE'S DAILY CARRIED ANOTHER ARTICLE WRITTEN BY RETIRED COLUMBIA UNIVERSITY PROFESSOR WANG CHI-CHEN WHICH WAS REPORTED TO HAVE APPEARED IN THE NEW YORK DAILY NEWS. PROFESSOR WANG WAS REPORTED TO HAVE WRITTEN THAT THE LEADERSHIP HAD NO CHOICE BUT TO CRUSH THE DEMONSTRATIONS, AND THAT IT WAS BETTER "TO SHED A LITTLE BLOOD" NOW, THAN A LOT LATER. THE

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PEOPLE'S DAILY ARTICLE STATED THAT THE PROFESSOR SAID
THE U.S. DID NOT UNDERSTAND THE ACTUAL SITUATION IN
TIANANMEN SQUARE.
LILLEY

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